

Message Text

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ACTION STR-07

INFO OCT-01 STRE-00 IO-13 ISO-00 AF-10 ARA-10 EA-10
EUR-12 NEA-10 OIC-02 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 ITC-01 TRSE-00 USIA-06 SP-02 SOE-02 OMB-01
DOE-11 DOEE-00 SSO-00 /159 W
-----058692 101736Z /41

P 101701Z MAR 78
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 7071
INFO AMEMBASSY TOKYO

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USMTN

ACTION STR

PASS STR ELECTRONICALLY STR PASS CODEL

EO 11652: N/A
TAGS: ETRD, GATT, MTN
SUBJECT: JAPANESE COMMENTS ON US AND JAPANESE TARIFF
OFFERS

1. BEFORE START OF MARCH 9, 1978 US/JAPAN BILATERAL
(REPORTED SEPTTEL) ON JAPAN'S EXCLUSIONS FROM TARIFF CUTS,
JAPAN DEL (UKAWA) CONVEYED FOLLOWING POINTS TO US DEL,
WHICH SUMMARIZE THE MAIN TARIFF ISSUES DISCUSSED BY
JAPANESE TEAM HEADED BY IKEDA IN WASHINGTON LAST WEEK:

(A) JAPAN BELIEVES IT INAPPROPRIATE FOR US TO COMPARE
DEPTH OF CUT OF JAPAN'S TARIFF OFFER TO DEPTH OF CUT FROM
APPLIED RATES. THIS IS NOT CONSISTENT WITH THE GATT OR
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WITH DECISIONS TAKEN IN MTN WITH RESPECT TO BOUND RATES.
JAPAN MADE A 20-PERCENT UNILATERAL REDUCTION OF TARIFFS
IN 1972, IS NOW MAKING FURTHER UNILATERAL REDUCTIONS, AND
EXPECTS BOTH OF THESE REDUCTIONS TO BE TAKEN INTO ACCOUNT.
THE LATEST UNILATERAL CUTS HAVE ALREADY PASSED THE DIET
AND HAVE BECOME EFFECTIVE AS OF MARCH 4, 1978. IN AN
ASIDE, UKAWA VENTURED THAT IT WOULD PROBABLY SERVE NO

USEFUL PURPOSE TO CONTINUE TO TALK ABOUT STARTING TARIFF RATES, BUT WOULD BE BETTER TO FOCUS ON END RESULTS.

(B) JAPAN TAKES ISSUE WITH COMMENTS IN US DEL RECENT PRESENTATION WHICH STATED THAT JAPAN'S OFFER ON TARIFFS IS NOT LIKELY TO AFFECT ITS CURRENT ACCOUNT SURPLUS. JAPAN VIEWS ITS SURPLUS AS A SHORT-TERM SITUATION AND DOES NOT BELIEVE IT APPROPRIATE TO RELATE LONG-TERM MEASURES SUCH AS MTN TARIFF REDUCTIONS TO ITS PRESENT BALANCE OF PAYMENTS SITUATION.

(C) THE US COMPARISONS OF US AND JAPANESE DEPTHS OF CUT WERE WEIGHTED BY EACH COUNTRY'S LEVEL OF IMPORTS. JAPAN BELIEVES THAT OTHER MEASURES SHOULD ALSO BE CALCULATED AND COMPARED. IT MAY BE USEFUL FOR THE US TO INCLUDE BOUND, DUTY-FREE ITEMS WHEN COMPUTING TARIFF AVERAGES. JAPAN HAS CALCULATED THAT ITS TARIFF AVERAGE BASED ON IMPORTS FROM THE WORLD OMITTING JAPANESE EXCLUSIONS AND INCLUDING BOUND, DUTY-FREE TRADE AMOUNTS TO 3.3 PERCENT. JAPAN'S TARIFF AVERAGE BASED ON IMPORTS FROM THE US ON THE SAME BASIS IS CALCULATED AT 3.2 PERCENT. THEY CALCULATE CORRESPONDING AVERAGES FOR THE US TO BE 3.0 PERCENT AND 3.7 PERCENT, RESPECTIVELY.

(D) JAPAN BELIEVES IT INAPPROPRIATE TO COMPARE US AND JAPANESE TARIFF OFFERS IN TERMS OF THE NUMBER OF ITEMS AND AMOUNT OF TRADE WHICH MOVES TO DUTY FREE. THIS DOES LIMITED OFFICIAL USE

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NOT REFLECT TRADITIONAL TRADE POLICIES WHICH HAVE RESULTED IN PAST DUTY ELIMINATION.

(E) EXTENSIVE GREATER-THAN-FORMULA REDUCTIONS BY THE US ARE CONCENTRATED IN THE LOW-DUTY RANGES AND HAVE WEAKENED THE HARMONIZATION EFFECT OF THE TARIFF HYPOTHESIS WHICH JAPAN SUPPORTS. FOR ITEMS HAVING INITIAL TARIFF RATES ABOVE 15 PERCENT, THE US TOOK PARTIAL OR TOTAL EXCEPTIONS IN EXCESS OF 1.7 BILLION DOLLARS IN 1976 IMPORTS. MANY OF THESE EXCEPTIONS ARE OF GREAT INTEREST TO JAPAN: CHINAWARE, BALL BEARINGS, TILES, TEXTILES, AND TITANIUM.

(F) MANY UNCERTAINTIES STILL REMAIN IN THE US OFFER AND JAPAN WOULD LIKE AN EARLY INDICATION, IF NOT A FORMAL OFFER, OF THE US INTENTIONS ON THESE ITEMS. REGARDING ASP AND FINAL LIST CONVERSIONS, JAPAN BELIEVES IT WOULD BE INAPPROPRIATE IF THE US WERE TO UNDERTAKE UNILATERALLY MODIFICATIONS OF TARIFF LEVELS ON THESE ITEMS TO REFLECT WHAT IT JUDGES TO BE EQUIVALENT LEVELS OF TARIFF PROTECTION. JAPAN BELIEVES THAT SUCH ACTIONS MAY BE IN VIOLATION OF THE GATT, EVEN IF NEW RATES ARE SUBSEQUENTLY

LOWERED AS PART OF US TARIFF OFFER.

2. AT THE CLOSE OF THE BILATERAL ON EXCLUSIONS, JAPAN DEL (MIYAKE), CITING INSTRUCTIONS FROM TOKYO, REPEATED MOST OF UKAWA'S COMMENTS IN PARA 1 ABOVE AND CITED ADDITIONAL FOLLOWING POINTS:

(A) JAPAN'S TARIFF OFFER FOR ITEMS WHICH ARE PARTIALLY OR TOTALLY EXCEPTED (NOT EXCLUSIONS) RESULT IN AN OVERALL 33-PERCENT DEPTH OF CUT. JAPAN CALCULATES US AVERAGE REDUCTION OF SIMILAR EXCEPTIONS WOULD BE 19 PERCENT.

(B) IF UNSPECIFIED ITEMS IN THE US OFFER ARE CONSIDERED FULL EXCEPTIONS, JAPAN CALCULATES US BILATERAL LIMITED OFFICIAL USE

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SS-15 ITC-01 TRSE-00 USIA-06 SP-02 SOE-02 OMB-01
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ACTION STR

PASS STR ELECTRICALLY STR PASS CODEL

OFFER WITH JAPAN AS OVERALL 14 PERCENT REDUCTION.
(FYI: US DEL IS CHECKING THESE AND OTHER CALCULATIONS
GIVEN BY JAPANESE, BUT OUR INITIAL REACTION IS THAT THE
14 PERCENT FIGURE IS TOO LOW. END FYI)

(C) US TARIFF REDUCTIONS ON SOME ITEMS EXCEED 24
PERCENTAGE POINTS AND WOULD REQUIRE STAGING BEYOND EIGHT
YEARS. IN JAPAN'S VIEW, THESE DO NOT MEET THE HYPOTHESIS
AND WILL NOT RECEIVE FULL CREDIT FROM JAPAN.

(D) JAPAN RESERVES THE RIGHT TO REQUEST CONCESSIONS
ON US MANDATORY EXCEPTIONS AND WOULD LIKE AN EXPLANATION
OF EACH FULL AND PARTIAL ECONOMIC EXCEPTION TAKEN BY THE
US IN WHICH JAPAN HAS A TRADE INTEREST.
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(E) RATES ON ASP ITEMS AND FINAL LIST ITEMS DO NOT
REFLECT REAL LEVEL OF PROTECTION. JAPANESE DELEGATION
WANTS TO KNOW WHAT THE EFFECTIVE TARIFF RATES ARE.

3. US DEL TOOK NOTE OF JAPANESE COMMENTS AND AGREED TO
RESPOND AT NEXT SESSION. DELEGATIONS ARE TO BE IN TOUCH
NEXT WEEK TO DETERMINE A DATE FOR NEXT FULL BILATERAL.

4. DRAFTED BY MOORE. CULBERT

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